

By Bruce Mildwurf

The U.S. House voted late Tuesday to approve a Senate compromise averting "fiscal cliff" tax increases and spending cuts after House Republicans dropped their demands for additional spending cuts.

A decision by the Republican-run House to amend the Senate-passed bill would have complicated prospects for final congressional passage of the measure. Senate Democratic aides have said the Democratic-led Senate, which overwhelmingly approved the compromise early Tuesday, would not return to vote on an amended version of the measure.

President Barack Obama said after the House vote that the deal is part of an effort to change the nation's tax code that is too skewed toward the wealthy. He said the federal deficit is "still too high" and warned that he will not negotiate with Congress over another increase in the nation's debt ceiling.

The bill had run into vehement New Year's Day opposition from House Republicans, led by House Majority Leader Eric Cantor of Virginia.

"I do not support the bill. We are looking, though, for the best path forward," Cantor declared after a closed-door meeting of his party's rank and file Tuesday afternoon.

Cantor eventually voted against the bill, while House Speaker John Boehner and Wisconsin Rep. Paul Ryan were among the 85 Republicans who supported it.

Among North Carolina House members, Democratic 4th District Congressman David Price backed it, while Democratic 7th District Congressman Mike McIntyre opposed it.

The measure, which passed 257-167 in the House, cleared the Senate hours earlier in a pre-dawn vote of 89-8.

It wasn't the first time that the tea party-infused House Republican majority has rebelled against the party establishment since the GOP took control of the chamber 24 months ago. But with the two-year term set to end Thursday at noon, it was likely the last.

As was true in earlier cases of a threatened default and government shutdown, the brinkmanship came on a matter of economic urgency, leaving the party open to a public backlash if tax increases do take effect on tens of millions.

Price said he was incredulous that House Republicans would balk at a plan that most Senate Republicans approved.

"This is a bipartisan bill, and the notion that these guys – at this late date with the cliff looming and a business day and the markets (opening Wednesday) – would play this kind of risky game is just testimony as to how far this tea party extremism has gone," Price said. "I'm astounded."

Economists have warned that, without action by Congress, the tax increases and spending cuts that technically took effect with the turn of the new year at midnight could send the economy into recession.

"The economic impact is potentially very severe," Price said. "You're raising taxes on almost every American. You're abandoning this effort at deficit reduction. You're taking the economy to the brink."

The Senate-passed bill was designed to prevent that, while providing for tax increases at upper incomes, as Obama campaigned for in his successful bid for a second term.

It would also prevent an expiration of extended unemployment benefits for an estimated 2

million jobless, block a 27 percent cut in fees for doctors who treat Medicare patients, stop a \$900 pay increase for lawmakers from taking effect in March and head off a threatened spike in milk prices.

At the same time, it would stop \$24 billion in spending cuts set to take effect over the next two months, although only about half of that total would be offset with spending reductions elsewhere in the budget.

The non-partisan Congressional Budget Office said the measure would add nearly \$4 trillion over a decade to federal deficits, a calculation that assumed taxes would otherwise have risen on taxpayers at all income levels. There was little or no evident concern among Republicans on that point, presumably because of their belief that tax cuts pay for themselves by expanding economic growth and do not cause deficits to rise.

The relative paucity of spending cuts was a sticking point with many House Republicans. Among other items, the extension of unemployment benefits costs \$30 billion, and is not offset by savings elsewhere.

"I personally hate it," said Rep. John Campbell of California. "The speaker the day after the election said we would give on taxes, and we have. But we wanted spending cuts. This bill has spending increases. Are you kidding me? So, we get tax increases and spending increases? Come on."

Others said unhappiness over spending outweighed fears that the financial markets will plunge on Wednesday if the fiscal cliff hasn't been averted.

"There's a concern about the markets, but there's a bigger concern, which is getting this right, which is something we haven't been very good at over the past two years," said Rep. Steve LaTourette of Ohio.

House Democrats met privately with Biden for their review of the measure, and the party's leader, Rep. Nancy Pelosi of California, said afterward that Boehner should permit a vote.

"That is what we expect. That is what the American people deserve," she said.

Price said the mood in the Democratic meeting was fairly positive because the members know what's at stake. Although there are parts of the package he doesn't favor, he said he would support it if it comes to a vote.

"It does avoid the fiscal cliff," he said. "It avoids a tax increase on the vast majority of Americans. It will be a good sign to the economy. It will reduce the deficit and help us achieve some shared sacrifice so that those who can afford to help with the deficit do so. There's a lot that's positive about the package."

Democratic 13th District Congressman Brad Miller said he remains undecided about the bill. He criticized the lack of an extension for a 2 percent payroll tax cut in the package, which he said would hurt most American workers.

"I'm not happy with the deal," Miller said. "That's a very regressive tax. It affects every American worker. It's going to come straight out of their pockets. If we're really interested in helping the economy, it's far more important to do that than just about anything else that we could have done."

For all the struggle involved in the legislation, even its passage would merely clear the way for another round of controversy almost as soon as the new Congress convenes.

With the Treasury expected to need an expansion in borrowing authority by early spring and funding authority for most government programs set to expire in late March, Republicans have made it clear they intend to use those events as leverage with the administration to win savings from Medicare and other government benefit programs.

McConnell said as much moments before the 2 a.m. Tuesday vote in the Senate – two hours after the advertised "cliff" deadline.

"We've taken care of the revenue side of this debate. Now it's time to get serious about reducing Washington's out-of-control spending," he said. "That's a debate the American people want. It's the debate we'll have next. And it's a debate Republicans are ready for."

The 89-8 vote in the Senate was unexpectedly lopsided.

North Carolina's two senators, Republican Richard Burr and Democrat Kay Hagan, both voted for the bill.

"Though I would have preferred a comprehensive, balanced solution to avert the fiscal cliff and begin reducing the deficit, I voted for the plan put forth tonight so that we can stop a tax hike on middle-class families in North Carolina," Hagan said in a statement. "We still have issues surrounding the fiscal cliff that we must resolve, including the defense cuts that will have an outsized impact in North Carolina and our skyrocketing federal debt."

"While the deal we voted on tonight was far from perfect and not as comprehensive as I had hoped, I supported this proposal because it protects 99 percent of Americans from increased taxes," Burr said in a statement. "It provides permanent certainty on the estate tax and alternative minimum tax. It provides one year of protection for the reimbursement of doctors. It extends unemployment insurance for one year. And the net result of the deal provides over \$600 billion that should be used to pay down our national debt."

Despite grumbling from liberals that Obama had given way too much in the bargaining, only two Democrats opposed the measure.

Among the Republican supporters were Sen. Pat Toomey of Pennsylvania, an ardent opponent of tax increases, as well as Sen. Ron Johnson of Wisconsin, elected to his seat two years ago with tea party support.

It marked the first time in two decades that Republicans willingly supported higher taxes, in this

case on incomes over \$400,000 for individuals and \$450,000 for couples. Taxes also would rise on estates greater than \$5 million in size, and on capital gains and dividend income made by the wealthy.